

September 27, 1961

Investor's Reader

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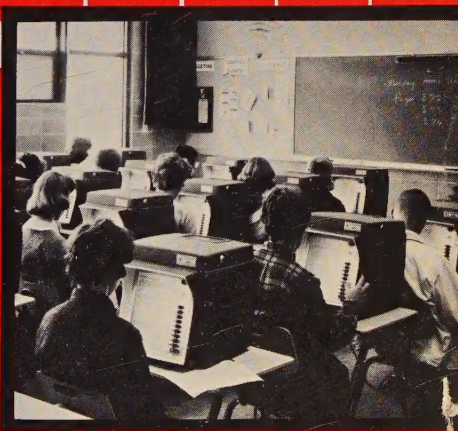
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CHICAGO

For a better understanding of business news

Public School



AN AMPERE FOR THE TEACHER (see page 1)



GILLETTE GALAXY

The smiling lady and weary gentlemen are both due to star in the more than \$31,000,000 advertising budget of the booming Gillette Company. North Carolinian Maria Beale Fletcher was crowned Miss America of 1962 two weeks ago at a ceremony jointly TV-sponsored by home permanent specialist Toni Company (a Gillette subsidiary since 1948), Pepsi-Cola, Philco and textiler Joseph Bancroft. All four have a crack at Miss America's advertising talents throughout 1962 and Toni expects

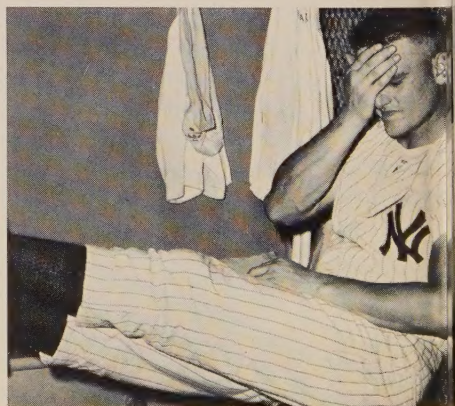
Maria to make a series of TV home permanent commercials.

However slugger Roger Maris is under basic contract with Colgate-Palmolive, along with roommate Mickey Mantle. But together with their Yankee teammates, they will appear in a Gillette spectacular early next month when the world-leading shaving equipment maker sponsors the World Series as it has done in each of the past 22 years.

Attention-assured advertising and constant successful introduction of new products (IR, Feb 17, 1960) has more than paid off for sharp-edged Gillette. For the first half president Boone Gross reported sales of \$123,700,000, a new high, 11% above the first half of 1960. Profits edged ahead at a slightly stronger pace to a record \$2.11 a share from \$1.84.

Gillette's 9,353,000 common shares reflect the shaving master's financial picture. On the NYSE they have doubled since last year and now trade around 122. The company pays a quarterly dividend of 62 1/2 ¢. In 1960 directors added a year-end extra of 50¢. They might consider another bonus this year.

WIDE WORLD



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The Teacher in the Mechanical Box

**Automation May Aid Schools
But Is Neither Scholastic
Nor Financial Utopia**

THE INSTRUMENTED boxes pictured on the current IR cover have been placed this month on 24 high school desks in the Weber School District of Ogden, Utah. They now help teach the local youngsters the intricacies of electronics. Known as the AutoTutor, the gadgets are the brainy child of far-ranging US Industries Inc which not so long ago was known as Pressed Steel Car Company and manufactured rail cars.

Another version of the AutoTutor has been on the job since August 1960 at Keesler Air Force Base near Biloxi, Miss, tutoring airmen in basic electronics. Yet another teaching machine is a microfilm-based device used by Eastman Kodak to teach its employees such subjects as basic photography and use of the slide rule.

These are three early examples of teaching machines in action. Some-

time in the future automated teaching could conceivably bring about an "educational revolution"; in any case, some of the ideas now being tried will undoubtedly lead to some significant shifts in teaching methods.

But investors interested in the subject must take heed of the lesson basic to machine learning: one cannot, whodunit fashion, turn to the last page or frame to find the solution but must proceed thoughtfully by well-programmed steps. On the financial side the course would among other factors analyze:

- The steep development costs which must be incurred by each participant.
- The uncertainties as to which systems will win adequate acceptance and which will be discarded or find too few backers to become economically feasible.
- For machines actually put to use, the problems of frequent adaptation to new teaching concepts and curric-

ulum revisions as well as mechanical improvements.

- Possible overcompetition which could leave little margin for profit.

- The considerably greater importance of properly prepared texts rather than the mechanical contraption in which they are presented. Consequently the biggest slice of the business may well go not to the machine manufacturers but to educational publishers. And these have already been acclaimed a glamor growth industry in their own right because of the huge demand for textbooks ignited by the school population explosion. Furthermore, it is far from certain whether these publishers can extract more profit from texts programmed for machine use than from the standard textbooks they would replace.

- Finally, the makers of the teaching devices themselves are nearly all well established in a number of other activities so success in the school

automation field would at best provide them with a welcome but not sensational plus.

While such considerations may scrub some of the financial glamor from the schoolroom walls, they do not dilute the basic significance of the trend to ever-more sophisticated aids to education. And the market is not limited to schools & colleges but extends to the mushrooming training facilities of industry and the Armed Forces.

"Teaching machine" easily evokes mental images of a push-button monster which magically injects knowledge into a passive student, or, worse, imposes thought control in *Brave New World* or 1984 style. But actually the purpose of a teaching machine is just the opposite of such fantasies.

Rather than suppress development of the individual, teaching machines aim to foster the rapid advancement of unusually bright students, while at the same time allowing slow students to proceed at their own pace. Machines would free teachers from routine tasks, such as drilling in multiplication tables, for duties which require the human element—counseling and stimulating the interest of students.

The concept had its practical beginning in the Twenties when Professor Sidney L Pressey of Ohio State University developed a machine which would administer a test to a student and keep score. But there was no shortage of teachers in the Twenties and Professor Pressey's invention aroused little interest. Today with the already critical shortage

Pre-verbal guidance by Rheem



of teachers (Federal authorities estimate 200,000) predicted to increase sharply, interest in mechanical teaching aids runs high and the chief question seems to be which of the many devices being tested will prove to be practical.

The mechanical and electronic teaching devices now in various stages of development and test-runs go much further than just administering examinations. They are largely based on a new theory of presenting educational material to a pupil: programming. This means a pupil is exposed to a limited amount of material at one time and is stimulated to respond to a question covering it before going on to the next "frame" of material. He is immediately able to compare his answer (multiple choice or fill-in) with the correct one.

Professors Choice

This immediate confirmation of right answer or correction of a wrong answer is considered one of the keys to the learning process. However two leading exponents of programmed learning disagree on just how this key should be used.

Professor Burrhus Frederick Skinner of Harvard believes a program should lead the pupil so he regularly responds with the correct answer. Psychologist Norman Crowder of US Industries writes programs which are considerably more involved and provide for errors. He considers errors a means of instruction helpful in developing reasoning. Both types of program can be used either in machines or in book form.

The simplest and least expensive of teaching machines is a device

called Min/Max, a metal box with a window slot through which 8 x 10 sheets can be moved with a pencil to reveal one frame of material at a time. Min/Max is a product of closely held Teaching Machines Inc. More than a dozen programs on such subjects as spelling, mathematics, music, languages and science are available in several forms: 1) for use in the Min/Max, 2) in a plastic ring binder with a mask which creates somewhat the same effect as the Min/Max, 3) in book form.

Min/Max is marketed by Grolier Inc whose door-to-door salesmen try to sell it as a package deal along with Grolier's No 1 product, *The Book of Knowledge*. But it can be sold separately at \$20 for the machine with the various teaching programs selling for \$7.50 & up.

Grolier reports it has sold "tens of thousands" of the Min/Max units, mostly to individuals but also to some school customers. Ted Waller, president of the Grolier Teaching Materials Corp, estimates start-up costs were \$500,000 and predicts "we will be well in the black by December 31."

A step up in machine complexity is Rheem's Didak. It resembles the machine designed by Professor Skinner, who acts as consultant to Rheem, for use in his Harvard psychology classes. A window reveals one frame at a time of a program which is printed on fanfold paper and rolled through with a hand operated knob. Didak costs about \$150 and Rheem has made only 500 units with sales "in the hundreds" this year, largely for laboratory use in schools and

in colleges and by the Government.

One sales disadvantage for Didak is Rheem does no programming and users have had to write their own programs and have them typed or printed on the fanfold paper used by the machine. McGraw-Hill will shortly bring out a fanfold version of *The Analysis of Behavior*, a college psychology course by Skinner and Holland which it has already published in programmed textbook form. But McGraw-Hill executive vp Harry Waddell maintains "there is no evidence a program of instruction in a mechanical box produces more effective learning than the same program in book form."

US Industries seeks to overcome the programming problems by setting up its own staff of 75 to program AutoTutor lessons. About ten series are available now. The AutoTutor is a simplified computer using 35mm film to present programs to students on an 8 x 11-inch viewing area. Questions have multiple choice answers and the student chooses by pressing a button. The film thereupon changes to a frame which tells him either: 1) his answer is right and then proceeds to new material or 2) it is wrong and explains why.

Early Costs

The original Mark I AutoTutor was a very large and complicated \$5,000 machine with a capacity of 10,000 frames of 35mm film. Only 28 were sold, 15 of them to Keesler Air Force Base where comparative tests showed airmen learned 30% faster than those taught by more conventional means—and just as accurately. Dr Crowder says Keesler

Field will shortly test the AutoTutor against TutorTexts scrambled books, programmed by him and published by Doubleday. He expects the AutoTutor to win the match. Dr Crowder says over 30,000 copies of TutorTexts have been sold.

Meantime US Industries has brought out the more streamlined Mark II AutoTutor which has an ample 3,000-frame capacity with the cost cut down to \$1,250. Including the 24 units for Utah's Weber School District, Mark II sales to date total about 180.

US Industries recently announced yet another teaching device, the MemoTutor which it hopes to sell for \$375. MemoTutor drills a student in memory work such as multiplication tables, language vocabularies, etc.

Eastman Kodak has used its own manually operated microfilm device as well as others "commercially available" to experiment with programmed learning. While the some 300 employees taught over the past two years have not learned better or faster with the machines, they have voiced marked preference for them over the programmed texts. Educational microfilm manager Warren Cole remarks: "This is more important in the industrial training area than in the school area." Kodak expects to market its machine some time next year.

A highly electronic entrant into the teaching machine field is Litton Industries which gained admission with the February 1961 purchase of Applied Communications Systems. This company makes machines to

instruct factory workers in complicated assembly processes. The present machine merely transmits step-by-step audio-visual instructions but Litton expects to produce other instruments to teach languages. Litton is also investigating the use of machines for instruction in underdeveloped countries through the Peace Corps and the State Department.

Prentice-Hall is cooperating with Litton in the development of programs. But Prentice-Hall editor Calvin Otto, like fellow book publisher Waddell of McGraw-Hill, says he is not yet convinced a machine to present a program provides any advantage over a programmed textbook.

The first programmed textbook published by a regular textbook publisher was Harcourt Brace's *English 2600*, a 416-page Skinner-type program of 9th grade grammar priced at \$1.95. Harcourt Brace reports it is showing a profit on sales of 50,000 copies.

One point for the text publishers: The Ford Foundation-sponsored Center for Programmed Instruction has experimented with hand-operated machine *v* programmed text and failed to discover any gain through use of the machines. However, if in the Keesler Field experiments this Fall the electromechanical AutoTutor shows a substantial advantage over TutorTexts, US Industries will have a big talking point in trying to crash the military market. Even before the current buildup, the Armed Forces annually spent about \$600 million for training.

An even bigger market exists in



US Industries AutoTutors airmen

industry and business where costs of training employees total approximately \$2 billion a year. IBM has reported programmed texts have saved up to 47% of the time needed to train customers' engineers in the operation of electronic computers. IBM has about 25 people at work putting their present instructional material into program form, but the electronic brain giant is not using any machine.

While most makers of machines decline to estimate how much they are spending on research and development, all agree expenses of programming greatly exceed costs of producing machines. Estimates of the cost of producing one nine-month school course run as high as \$75,000. Publishers are reportedly contracting to pay writers of programmed texts 10-to-25% of gross sales whereas textbook authors ordinarily get 8-to-12%. At those percentages, the first publisher to bring out a "How To" book on writing programmed texts should have a best seller.

BUSINESS AT WORK

NATIONAL ECONOMY One Way To Save Money

FOR YEARS the annual press preview of Chrysler Corp has been a gala affair. From all over the country auto editors, financial editors and cub reporters came to renew old acquaintances, play cards or golf, see the new cars and chat with corporate executives. In 1960 the preview was a cost-free junket to the snazzy Americana Hotel in Miami Beach. Over 300 newsmen showed up for the three-to-five day visit which was stretched (but not flattened) by hurricane Donna.

This year reporters had to pay their own transportation and the preview was cut to two days in Detroit, Cleveland and Twinsburg which is near Akron. The 1962 models were displayed on the SS *Aquarama* in the middle of Lake Erie. The hosts were cordial but the cutback sliced editorial attendance to about 200. Savings to Chrysler: up to \$50,000 in transportation; at least \$200,000 overall.

ELECTRONICS National Video Review

STOCKHOLDERS of National Video Corp this week went through the joyous formality of OKaying a 2-for-1 stock split. The long-termers among them undoubtedly sport a pleasing gain on their investment considering the stock was selling under 20 less than nine months ago. From that point National Video shares jumped to a high of 46 on the Amex, though last

week the pre-split shares traded at a slightly more conservative 39.

The bright Video picture is traceable to a steadily rising demand for the company's principal and virtually only product—cathode ray (“picture”) tubes for television. A 13-year-old, non-diversified company with total assets under \$8,000,000, National Video is the third largest US picture tube maker and the largest independent, ranking behind Radio Corp and General Telephone & Electronic's Sylvania. Last year it accounted for about 15% of industry output.

The company was founded in Chicago in 1948 near the beginning of the TV age. It made a good start its first couple of years, since then has weathered serious threats to its livelihood from: 1) the Korean War which caused severe materials shortages and 2) a great rash of tube makers which hurried on the scene in the early Fifties, flooding the market and undermining prices.

National Video now claims to be one of nine survivors out of nearly 50 one-time competitors. Six of those nine, RCA, Sylvania, Zenith, Philco, Westinghouse and GE, are so-called “captive” producers which make tubes principally for their own TV sets.

After operating at a loss in the years ended May 1955 and 1956, National Video got itself back on a profitable basis in fiscal 1956/7 when it earned \$200,000 or 31¢ a share on sales of \$10,400,000. Since then both sales and earnings have

risen each year. For the May 1961 year sales of \$18,600,000 were up 9% over the previous period and earnings climbed somewhat faster to \$1,270,000 or \$2.06 a share from \$1.84.

In 1959 the owners judged National Video "had reached a position in the industry that justified inviting others to participate in its future fortunes" so president Asher J Cole and the company's other founders sold part of their shares. Counting all of a convertible class B stock, about 52% of the total 1,230,000 shares are still closely held.

Almost all of National Video's sales are to TV set manufacturers with chief customers Admiral and Motorola accounting for approximately 65% of the total. Others include Muntz, Setchell-Carlson, Warwick Manufacturing (Sears Roebuck supplier) and Travler Radio Corp, one of the country's leading private brand producers.

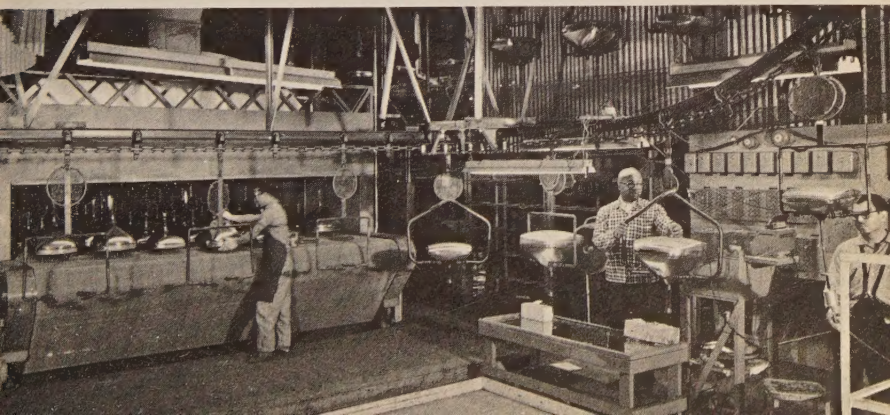
One recent and rapidly growing customer is CBS International which does a sizable export business, particularly to South America. "Last year about 15% or \$3,000,000 of

sales were for export compared to less than 5% two years ago," notes president Cole. "This year it could go to \$5,000,000."

Unlike the export market, he adds, the replacement tube business is of decreasing importance. "In the last few years we've doubled the life of tubes so that they now last about as long as the average set." As for color, "we have made them before and have all the needed knowhow but don't expect enough of a market in the foreseeable future—unless there's a technological breakthrough greatly lowering the price of color sets."

One unusual feature of both National Video's manufacturing and financial picture is its Puerto Rican affiliate, Rico Electronics. Formed in 1952 because of "economic advantages," Rico manufactures most of National Video's electronic guns, one of two main components of picture tubes. Asher Cole enthuses: "This has turned out to be a great thing for us." He notes it has provided beneficial employment in Puerto Rico and has aided National Video because of low-cost labor, efficient manufacturing. Above all, it

Controlled heating in tube manufacture



has provided a ten-year income tax exemption under Puerto Rico's economic development program (IR, July 8, 1959).

With Rico's tax exemption scheduled to expire in February 1963, National Video set up another affiliate, Caribbean Electronics Inc, in July and thereby has gained another ten-year tax free period. Explains president Cole: "This move is coordinated with natural expansion in Puerto Rico. Under the law we must continue 75% of the past three years' average production at Rico but that volume equals only about 50% of current demand. The rest will be done by Caribbean. Thus, we will be paying full Puerto Rican tax (35%) on one-half of our production."

A separate company, Rico is capitalized on a share-for-share basis with National Video and its stock is held in trust for the benefit of National Video shareholders. It is the dividend payer of the two—with payment being passed through directly to the individual NVD holders. In July it favored its parent's NVD shareholders with an increase from 22½¢ to 25¢ quarterly.

WALL STREET

Universal Accent

CORPORATIONS resort to many intriguing ways to accentuate the positive in earnings and dividend reports. For instance, power shoveler Universal Marion Corp announced from Jacksonville early this month that its directors had declared a 10¢ dividend for the third quarter and at the same time voted a dime payable in the fourth quarter.

The company further provided the background news note that these two payments will bring total common stock disbursements for 1961 to 80¢ a share. With a little elementary school arithmetic, the thoughtful reader could thus deduce that earlier this year Universal Marion paid at a rate of 30¢ a quarter.

FUELS

Old Hands at Suburban Propane

IN THE BUSINESS of liquefied petroleum gas, better known as LP gas, it is not unusual for oil producers to take up the distribution task. But it is unusual for a company which has been a distributor to get into the producing end—and that is just what Suburban Propane Gas Corp of Whippany, NJ has done, if only to a small extent. Suburban Propane is not to be confused with its San Diego-based rival Suburban Gas Corp (IR, March 30, 1960).

In July Suburban Propane bought Frio-Tex Oil & Gas of Corpus Christi. The acquisition gives Suburban Propane 42 gas wells, one oil well, a 30-mile pipeline gathering system and leases on 25,000 acres of land in Frio County, Texas of which 16,000 are known to be productive. Plans call for building a plant to turn out propane, butane and natural gasoline.

The new acquisition makes Suburban Propane "the only vertically integrated company in the field." In terms of Suburban's LP volume, the new gas supplies are admittedly "a drop in the bucket but it is significant as a natural gas project in its own right." And Suburban is definitely interested in "going more &

more into the natural gas business" where among other things the "depletion allowances are very helpful."

In addition Suburban Propane:

- 1) makes many gas-consuming appliances at its Dayton, Tenn plant;
- 2) makes tanks and assembles tank trucks at its Charlotte, NC plant and
- 3) rents a fleet of railroad tank cars and trucks for gas distribution.

The heart of Suburban Propane's business is its 96 sales, service and distribution stations spread along the Atlantic Coast from New England to Florida (except for Georgia) and as far west as Ohio and Kentucky. From these stations home owners and companies buy the bottled gas which has been winning wide acceptance in the past 30 years—first as a kitchen stove fuel, then for hot water heating and now for home space heating. In unit volume, space heating now accounts for about 20% of Suburban's retail and 12% of its total business; in dollars, it comes to about 6-to-8% of sales. Moreover LP now helps chicken brooders warm their flocks, tobacco growers cure their leaves and fork lift truck operators run their trucks.

The 139,700,000 gallons which Suburban Propane sold in 1960 make it the largest independent distributor of bottled gas in the country and accounted for most of the company's \$43,200,000 total revenues. The company is the brainchild of two seasoned businessmen: president Mark Anton who was born in Chicago 67 years ago, now lives in West Orange, NJ; and 65-year-old financial vp R Gould Morehead who was born in Newark, educated at the



Propane-propelled Mark Anton

University of Illinois and now makes both office and home in Manhattan. President Anton founded the predecessor company in 1928 and teamed with Gould Morehead in 1945 to obtain the 13 Eastern gas distributing stations of Phillips Petroleum, still the nation's largest LP gas producer and Suburban's largest supplier of bottled gas. Onetime bond salesman Morehead helped arrange financing of the purchase. Since that time a succession of acquisitions coupled with internal growth have built Suburban's volume eight-fold from \$5,000,000-plus in 1946.

The advantage of bottled gas is its portability. Kept under pressure, propane is a liquid and can be easily piped into cylinders or tanks and shipped and stored where needed. When the valve of a propane con-

tainer is turned, the propane vaporizes and hisses forth to be burned.

Offsetting its mobility and clean burning is cost. Says the company's 1960 prospectus: "Except for various industrial applications, the corporation does not attempt to compete with manufactured and natural gas where available, since these are generally more economic domestic fuels than LP gas at prevailing rates." As once-rural suburban areas get crowded enough for new gas lines to be laid, LP gas distributors constantly lose customers. But, as Mark Anton notes, others promptly move still further out—and Suburban Propane gains these.

One of LP's major competitors is electricity since it is a roamer too. And there is a steady crossfire of needling remarks between the contending energy suppliers. A recent Mark Anton taunt: "We in the industry smile at the claim of 'flameless' fuel as must millions of TV viewers who saw smoke pouring out of the lectern during President Kennedy's inauguration."

An ever-present threat to competitive equilibrium among LP gas distributors is any step-up in distributing activities by the major gas producers, meaning mainly the big oil companies. Some like Phillips have been in the distributing end for many years. Now Standard of Indiana is becoming more active in the Midwest as is Union Oil on the West Coast while Jersey Standard shows increased interest in the Southeast.

Despite such problems Mark Anton looks for a satisfactory performance for full year 1961. Says he: "I

hope we'll earn \$1.80-to-\$1.85; a lot will depend on the weather." Last year Suburban earned \$2,590,000 or \$1.72 on its 1,469,000 shares outstanding, a new high which reversed a four-year downtrend. Market price of the shares is around 25 on the Big Board or near its midpoint between the 1961 alltime high of 33 and low of 18. The dividend which was cut back a nickel from the long established 30¢ quarterly rate in 1957 was partly restored this February to 28¢.

To get its product into new and more imaginative uses, Suburban Propane hopes to cut the cost of shipping it from the producers in the Southwest to its distributing area. Says a company official: "More progress has been made in this in the last two years than in the preceding 13. Each cent decline in price adds breadth to our sales possibilities."

The company also eyes growth through more acquisitions. But while "we're always looking at others," right now no deal appears in the closing stage; "we're only exploring."

ELECTRICAL EQUIPMENT Sangamo Recuperates

RECOVERY is the keynote this year at \$42,000,000-assets Sangamo Electric Company of Springfield, Ill. President Charles H ("Chick") Lanphier relates "we will earn comfortably in excess of \$1 a share," up from last year's 42¢ but still below the 1959 peak when the company netted \$3,000,000 or \$1.87 on \$53,000,000 sales. In 1960 Sangamo's profits, the lowest since War II, were hit by a six-week strike at the Springfield plant plus "model

changeovers in both our electric meters and submarine detection equipment."

This year Sangamo first half volume fell 4% to \$24,600,000 which Chick Lanphier claims "was about what we expected. Our commercial business continued at the same lower level and military was a trifle lower." Earnings however climbed 7% to 50¢ a share, "the fruit of quite a cost cutting campaign." President Lanphier expects the third quarter to "show a slight gain in volume [but probably not in profits] despite the July vacation shutdown of our three domestic plants." He looks for "a very large fourth quarter."

Eli Illini

Sangamo Electric goes back to just before the turn of the century when Chick's father Robert Carr Lanphier, fresh out of Yale, teamed with older Springfieldite Jacob Bunn to manufacture watt-hour meters. They named their fledgling enterprise after Illini tribe chief Sangamo; designed the letters in the oval trademark (see picture) with a wiggle "to make them look like lightning had hit them."

The company has remained under Lanphier and Yale-trained leadership. Senior vice president Robert Carr Lanphier Jr graduated from Yale in 1927, four years ahead of kid brother Chick. One non-clan member but a New Haven alumnus is Donald S Funk who moved up to board chairman eight years ago when Chick was elected president. The Bunn lineage also continues with Jacob's son, nephew and son-in-law all Sangamo board members.

All told the Lanphiers & Bunn control 380,000 "SGM" shares or 23% of the total outstanding. The stock trades on the Big Board at 18, midway in the eight-point 1961 range. The stock had reached a high of 25¾ in 1959 but sold around five in 1947. The dividend was cut 17% in strike-beleaguered 1960 to 18¾¢ quarterly which makes the current yield a little over 4%.



Sangamo's original product line, watt-hour meters, still clock the largest volume. The familiar basement devices and related products make up half the company's output. Competitors include giants General Electric and Westinghouse plus \$1,000,000-profits Duncan Electric. Chick Lanphier drily places Sangamo "neither first nor fourth" in the field.

An additional 15% of sales comes from the sharply competitive capacitor business. The Sangamo line ranges from heavy types used on utility power lines to miniature models for electronic applications. Another established Sangamo product group is electromechanical controls such as tachographs and time switches. Among its customers: Merrill Lynch which uses over 130 "Sangamo clocks" to automatically switch on its newswire every morning.

Recently Sangamo has added more



Chick Lanphier examines a meter

glamorous items to its product mix. In April it bought 70% of Microsonics Inc of Hingham, Mass and entered the solid ultrasonic delay line field. Engineer Lanphier outlines: "Delay lines are used in radar and other circuits where very exact time delays are needed. They could have large application in the memory element of the new generation of high speed computers."

Late last year Sangamo delivered to Bell Labs its first complete tape instrumentation system for testing anti-missile equipment. President Lanphier explains the systems "are used to record information for subsequent playback to find out just what the hell happened in firing a missile" or in other tests. While this type of instrumentation "is not significant to us," the 52-year-old executive looks for "a substantial increase in deliveries in the fourth quarter" of this year.

Also slated for "a very marked upturn" in this year's final three

months is submarine detection equipment. Sangamo waded into the sonar arena in early War II, boasts to have produced "more than 95% of the present US Navy shipborne submarine detection equipment." Chick Lanphier comments: "That's a pretty good show for a little company like us." Since exact product delineation is classified, he only allows "we make active sonar equipment"—sonar which sends out and receives signals as opposed to the type which merely listens (IR, Aug 5, 1959).

Altogether military business "might total 35% of our sales." But Sangamo's chief customers are utilities which account for 45-to-50% of volume.

Chick Lanphier notes Sangamo's financial success basically depends on "the general activity" of the economy plus defense spending, then forecasts: "Next year will be a pretty darn good one for us and the influx of business will probably carry us well into 1963." His basis: "The economy is a regenerative affair. It looks good now and additional military expenditures will make it boil even more."

COAL

North American Coal Tally

ONE of the Big Board's lesser known debutants is the nation's No 8 miner, North American Coal Corp. Under the symbol "NCO" the company's 1,600,000 shares opened on the senior exchange last week at 18 $\frac{5}{8}$ or just a fraction below the all-time high posted in 1957. Nacco, as the \$36,000,000-assets company is known in coal circles, went public

only five years ago at \$12 a share; the stock traded as low as eight over-the-counter last year.

The stock gyrations have accompanied an erratic financial performance. From a sales pinnacle of \$44,700,000 in the fiscal year ended April 1957 (the last before the company switched to a calendar year) volume steadily dwindled to \$29,000,000 in 1960. Net income also peaked in fiscal 1956/7 when Nacco earned just under \$2,000,000 or \$1.33 a share. Earnings then dipped to 42¢ a share in 1959, recovered a bit to 67¢ last year.

President Henry G Schmidt blames the Nacco decline on "worsened West Virginia conditions which resulted from the disappearance of the European export market." The company sold its dock operations in 1959 which also accounted for part of the sales reduction. Henry Schmidt continues: "We were losing large sums of money in West Virginia * * * with some reluctance and some sadness particularly when the operation had a long record of profitability we decided to dispose of all but one of our properties there." Thus in late 1959 and 1960 Nacco sold one and abandoned two mines. Including the remaining West Virginia mine near Charleston plus others in Ohio, Pennsylvania and North Dakota, Cleveland-based Nacco now operates seven properties.

One Ohio mine, the Jensie near Steubenville, is incurring "very, very heavy losses." Henry Schmidt, a mechanical engineer from the University of Kansas, explains: "We have run into water there. In mining it

takes a long time to get into trouble and a long time to get out of it." He allows: "We may have to abandon Jensie unless the water condition clears up." Both the Jensie and Charleston mines were acquired in 1959 when Nacco purchased Warner Collieries Company of Mammoth, West Virginia for 131,000 shares. Prexy Schmidt frankly admits: "My judgment was not as good on that one as on other properties we have acquired."

Alum Activity

But in the 1961 first half Nacco on 22% lower volume managed to increase profits to \$570,000 or 36¢ a share (with no Federal tax) from \$411,000 or 26¢ (after \$8,600 tax). For the full year Henry Schmidt merely says: "We will do better than in 1960." Due to a \$1,200,000 tax loss carryforward which resulted from the West Virginia amputation, the company "will pay no Federal taxes this year and, dependent on earnings, probably not through 1965." However executive Schmidt injects: "Because of depletion allowances we are never taxed at the full 52% corporate rate anyway, but usually at around 25%."

In November 48-year-old Nacco for the first time will depart from coal mining activities when it opens a "less than \$2,000,000" alum (or aluminum sulphate) facility at Powhatan Point, Ohio. Powhatan is 25 miles down the Ohio from Wheeling and the site of Nacco's two biggest coal mines. The plant will extract alum from low-grade ore which heretofore has been a waste material miners call gob. This ore is found in a



Nacco's Henry Schmidt

12-to-14 inch layer of shale which "is over our entire deposit" and must be unearthed to get at the coal.

Nacco developed the gob-to-alum process with Strategic Materials Corp. Henry Schmidt fills in: "We advanced funds for the project and in return received some Strategic Materials stock [85,000 shares by year end]. They will get 50% of the plant profits after certain deductions." The facility is slated to "operate at a profit in 1963."

The installation has a 40,000 ton-a-year capacity and according to Henry Schmidt "dry alum's market price is about \$40 a ton." Alum is a filter medium used in paper sizing and water clarification. In the next few days Nacco will name the chemical subsidiary of a major Big Board company as its alum sales agent for the paper industry.

However Henry Schmidt stresses: "The real market we are trying to reach is the alumina market," the basic material for making aluminum.

Presently the main source of alumina (aluminum oxide) is bauxite which, except for some Arkansas deposits, must be shipped from abroad.

Nacco reports it has established "the technical feasibility" of converting alum into alumina; the economy of such a step "we don't know. That's why we're building the plant." President Schmidt says "we might even become an aluminum producer but that is down the road a few years." Meanwhile other primary producers are also working on alumina recovery from common ores including Olin Mathieson-Revere Copper subsidiary Ormet (IR, April 12). President Schmidt comments: "Many clays do have higher oxide content than ours but ours is delivered without charge—a big advantage."

Looking ahead, 61-year-old Henry Schmidt predicts: "Dependent on our ability to operate the alum plant profitably, our earnings will steadily improve." He figures: "The coal business hit the bottom last year." Lucrative electric utility sales which last year accounted for 67% of Nacco's tonnage "have increased every year since I came to the company as chief executive officer in 1942."

Nacco was founded just before War I by the late Frank E Taplin whose two sons are board members. The boys and their mother own 1,000,000 "NCO" shares or 63% of the total. Henry Schmidt, whose previous business experience included 15 years as manager of Goodyear's engineering staff where he was also "in charge of their coal properties," owns 32,000 Nacco shares.

WE HEAR FROM . . .

For the past 14 years the policy of this section has been to print only letters of criticism or additional information. Because they would add little to the knowledge of readers, our numerous complimentary letters will be included only on rare occasions.

Light on Luminescence

BLOOMFIELD, NJ

GENTLEMEN:

I was interested in your article on electroluminescence in the September 13 issue. However, I find myself in rather strong disagreement with some of the implications contained in the story; for instance, you quote a spokesman of another concern [GE] as saying electroluminescence is "still largely in the research stage."

The spokesman you mention in this instance represents a concern which has not been at all prominent in this field. Electroluminescence is *here* commercially. Actually there are hundreds of thousands of possible applications which exist right now for electroluminescence. Its possible uses are limited only by our imagination. The two major concerns involved in this field are producing electroluminescent products by the millions—this could hardly be termed the research stage.

Perhaps what hurt the most was your reference to the electroluminescent night light as "a Sylvania original, it is now made in various forms by other companies." It is well known in the trade that Westinghouse introduced its Rayescent Safety Light (night light) in October 1958 almost a full year before its closest competitor and several years before two other competitors also copied it.

Incidentally, Westinghouse is the only concern which manufactures electroluminescent panels in all three materials: metal, glass and plastic.

Very truly yours,
P F DIETZ, Manager
RAYESCENT Products
Westinghouse Electric Corp

Manager Dietz makes a good case for the Rayescent Safety Light; Sylvania's night light was marketed in August 1959. As for the boundary between research, development and commercial stages, it is probably a matter of perspective.—*Ed.*

Single Commissioner

DALLAS

GENTLEMEN:

In reading the patent story, I was surprised at the comment to the effect that Commissioner of Patents David Lowell Ladd was described as the only single Presidential appointee in the Kennedy administration.

I believe the writer of that article would find that Mr Lawrence J O'Connor, a Kennedy appointee to the Federal Power Commission, also is single.

Very truly yours,
GEORGE A WILSON, President
The TXL Oil Corp

Commissioner O'Connor is single indeed. And the Washington social season is soon due to start.—*Ed.*

Law on Patents

MIAMI

GENTLEMEN:

I am writing to compliment you on the article about the Patent Office in your August 30 issue. It reflects an unusually accurate and conscientious job of reporting.

In connection with the issuance of the 3,000,000th patent, I note that patent number 2,000,000 issued just before I entered the Patent Office, that is, about 1934, and patent number 1,000,000 issued just before my father entered the Patent Office, that is about 1912. You will note that it took about 76 years for the first million patents, about 22 years for the second million, and about 26 years for the third million.

When considered in proportion to population, it would appear that our rate of inventing is slowing down. Actually, it probably shows only that our standards of invention have been raised. Certainly if the standards set forth by the Supreme Court in the last 25 years were literally enforced by the Patent Office, there would be very few patents. There is no doubt that the Supreme Court's views have had their

effect on the Patent Office and decreased the number of patents.

Many people believe that the effect of this on the country is bad, but I am sure you can find a lot of argument on this point if you looked into it.

Again may I compliment you for your fine article.

Very truly yours,
M A BASKIN
Attorney at Law

Patent attorney Baskin's memory serves him well. Patent No 1,000,000 was in fact issued in August 1911 and No 2,000,000 almost 24 years later in April 1935. That the third million spanned some 26 years was partially due to the preoccupied War II years. Equally important, studying applications for patentability has become vastly more complex with the accumulating amount of prior art and the complicated nature of various new technologies (eg, electronics).

The rate is quickening again, however, as it took only eleven years to issue the latest half million patents and the Patent Office predicts No 4,000,000 will be granted by the year 1979.

As to attorney Baskin's reference to the Supreme Court, the justices in the past twenty years have often held that an invention should reveal "the flash of creative genius, not merely the skill of the calling" and have sometimes struck down patents granted by the Patent Office. However in a 1953 clarification of the patent laws, Congress implied that genius was not a criterion. The Patent Office has proceeded on this basis, requiring the invention primarily to be new and useful.—*Ed.*

PUBLISHING

Boston Publisher Heath
Expands Text Volume,
Enters New Fields

THE SCHOOL BELLS which summoned nearly 50,000,000 US students to the classroom this Fall also jingled the cash registers of the D C Heath Company of Boston. The 75-year-old publishing house's interest spans the youngsters' entire scholastic career from grade school through college.

Among the industry's 100-odd publishers Heath ranks third in high school texts. President John S Smyth eagerly adds: "We're moving into a thoroughly more substantial position in the elementary field and have a complete expansion of our entire college text department now underway."

Last year Heath reported sales of \$14,800,000 of which 35% were in the elementary field, 47% in the secondary level and 18% in college texts. Over the next five years president Smyth hopes to create a three-way balance with each of the departments accounting for one-third of volume—and in the process boost total sales to double last year's. Working toward that goal, John Smyth would like to add "a nice small college publisher" to his text family—but not just anyone; "we want good authors."

Not quite 30% of Heath sales comes from science subjects, 25% English, 17% foreign languages, 12% math and 18% miscellaneous. The company's active publication list comprises over 2,000 titles and every year some 100 new titles and revi-

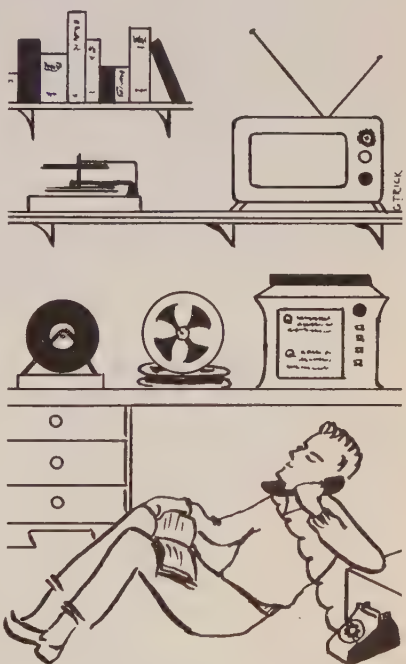
sions of earlier publications come off press.

Besides this core of hard-covered texts D C Heath is the sole US college agent for Britain's Penguin Books Ltd, a leading publisher of high-brow paperbacks. D C Heath further offers some 500 college paperbacks of its own. President Smyth comments: "Profit margins here, depending on the number sold, tend to be higher than in hard-covered texts." He continues: "Paperbacks seem to have hit the college market successfully." Among D C Heath's most successful paperback series is its *Selected Service Materials for College Research Papers*. Launched in 1956, this series of bibliographies and reading selections now encompasses twelve volumes; another five are in preparation. President Smyth also is proud of his one-year-old *Discussions in Literature* series, with the latest volume on Jane Austen and the newly added *Modern Language* grammar and literature series.

With Heath since 1927 and grandson of one of the company's founders 55-year-old president Smyth remarks: "While we think of paperbacks as something new, some 50 years ago—we've been in this business a long time, you know—our modern language texts were in soft-covers. But then for some reason in War I soft-covered books went out of fashion." Publisher Smyth feels the current "paperback trend is here to stay." At present the company is making a technical survey of elementary and secondary school use of paperbacks. If the results prove satisfactory it could encourage Heath to

"further expand its paperback line."

Paperback study is not confined to publishers. The Texas State Board of Education is conducting a pilot elementary school program. If paperbacks work out there it could mean "each child gets a new book each year" and could bode well for publishers.



Heath is also pursuing new educational sales potentials through Heath deRochemont Corp. Organized earlier this year by D C Heath and documentary movie maker Louis deRochemont Associates on a 50-50 basis, the new company plans to develop, promote and distribute educational materials in many media—including motion pictures, film strips,

educational TV programs and teaching machines.

Currently Heath deRochemont has only one project actively underway—*Parlons Francais* for teaching French on the elementary level via TV or classroom motion pictures. President Smyth notes: "Forty educational TV stations throughout the country have signed up and viewing will start this month." *Parlons Francais* is backed by the New York State Board of Regents. Schools which cannot tap the TV showing can present the program on movie film. A packaged deal which includes an 8mm Kodak sound projector and color films plus supplementary records and teacher instructions will retail at \$5,500. A less expensive package will be available in black & white.

Supplementary Sales

Another facet of the *Parlons Francais* program: to supplement TV viewing Heath deRochemont will provide activity booklets and supplementary records. Sales "will of course depend on the number of children viewing the program—perhaps we can expect some 5-to-10% of the 4,000,000 elementary grade youngsters this year. We don't know as yet how it will be received but activity booklets & record sales could be substantial."

If all goes well Heath deRochemont plans over the next few years to expand *Parlons Francais* into a complete teaching curriculum which might eventually reach all the way to the college level.

It also expects to speak more than French. The company is already ac-

tively studying a Spanish language program on which it has a one year option. President Smyth hopefully states: "It seems to have promising possibilities."

Besides its foreign language interest Heath deRochemont is investigating programmed teaching (see page 1). John Smyth describes: "Heath is actively working on programs which can be used in booklet form or adapted to any of several teaching machines." At present Heath is producing programs in college chemistry and genetics but has no definite plans for its own teaching machines. However, John Smyth remarks: "We're ready to move in whatever direction seems most worthwhile for us."

So far Heath has invested \$500,000 in Heath deRochemont and expects to put up another half a million this year. Louis deRochemont Associates will match the investment. While publisher Smyth admits he doesn't "expect too much from the company this year," he looks for "something rather substantial next year."

With the added appeal of new teaching devices and the current market interest in publishing stocks, D C Heath common trades at 35 in the over-the-counter market. This is three points below the May offering price of 38 but about 28 times estimated 1961 earnings of \$1.25-to-1.35 a share and 31 times last year's earnings of \$1.13 a share. Heath has paid a cash dividend every year since 1897. But at the current 50¢ annual dividend rate the stock yields a growth-type 1.4%.

Epitaph for Standard Gas

Last of Utility Empires
Fled from Potter's Field,
Now Departs in Dignity

THE LAST president and chairman of the Standard Gas & Electric Company, Robert J Levy, leaned back in his chair at the Wall Street office of Robert J Levy & Company one afternoon last week and reflected on the "satisfaction of a job well done." The job was acting as "funeral director" in the liquidation of Standard Gas & Electric, one of the largest and oldest as well as the last of the public utility empires which were condemned to death under the Public Utility Holding Company Act of 1935.

While a few caretaker tasks remain, Bob Levy pointed to the filing of SG&E's dissolution notice with the State of Delaware on August 3rd as marking the "end of an era" in the utility industry. The company went out of business with the completion of the liquidation of assets, a process which began in earnest in 1946 and culminated in payment of a final liquidating dividend on July 28. For every 100 shares of Standard Gas, stockholders received: eight shares Duquesne Light common, one share Duquesne Light \$2 preferred, three shares Wisconsin Public Service common plus \$130 cash. All told this final distribution was worth \$496 a Standard Gas round lot.

With the liquidating distribution, the 2,163,000 "SG" common shares disappeared from the New York Stock Exchange for the second and presumably final time. The farewell

was far happier than the 1944 departure when both SEC and Big Board considered the common, then \$400,000,000 "under water," worthless.

The whole highly complex story started in 1910 when Standard Gas & Electric was incorporated in Delaware as a holding company to acquire public utilities and supervise their management. At its maximum girth at the start of the Thirties, the Standard Gas system claimed over \$1 billion in assets with operating units in twenty states and Mexico and holdings in more than a hundred corporate entities. Its system (see table, page 21) supplied 6,000,000 people with electricity and gas, steam heat, telephone and other services.

Super-Maze

Illustrative of the almost impenetrable maze which enshrouded the corporate structure of Standard Gas (and most pre-Depression holding empires) was its tie with Standard Power & Light. Formed in 1925 as a junior affiliate for Standard Gas, Power & Light had by 1930 amassed half a billion in assets (prevailing book value). This included 94% control of the Philadelphia Company which despite its name was primarily a sub-holding company for various Pittsburgh properties: Duquesne Light, Equitable Gas and Pittsburgh Railways plus their sub-subsidiaries.

Then in 1930 came a major flip-flop. Standard Gas acquired all the properties of Power & Light (including the Philadelphia Company complex) but as part of the payment

surrendered all its holdings of P&L stock and also gave Power & Light a sizable block of Standard Gas shares. The upshot: former subsidiary Standard Power & Light suddenly turned up as the 51%-owning parent of Standard Gas.

But this was not yet the top of the pyramid. Control of Power & Light was held by HM Byllesby & Company and the United States Electric Power Company. Byllesby is a Chicago investment banking company which had long exercised controlling influence over the Standard empire (it finally surrendered its major holdings in 1940 under SEC orders). US Electric Power was a short-lived enterprise (formed in 1929, bankrupt in 1936) created by some major investment houses and commercial banks who in those days were permitted to have investment affiliates. A prime mover in US Electric Power was entrepreneur-financier Victor Emanuel who according to some reports had sunk \$15,000,000 of his own money into the enterprise in giddy 1929.

Topped by at least two layers in the holding pyramid, the Standard Gas of the early Thirties was still several layers removed from the operating companies at the bottom. Since people used gas & electricity even in the Depression, most operating companies were able to stay in the black. But with companies all along the holding structure weighed down with top-heavy capitalizations, there was precious little cash left to trickle up (against the gravity pull of debt service and preferred stock requirements) to the senior companies.

By 1935 dividend income flowing to Standard Gas had diminished to the point it was unable to pay off or refund its matured 20-year gold notes. As a result, it filed for the Bankruptcy Act reorganization. It managed to emerge three years later with its common shares left undisturbed except for several shifts in voting rights.

Water-Logged

In 1941, however, the SEC declared the earlier reorganization "only postponed rather than solved Standard's financial problems." It further found the involved corporate structure and voting distribution did not comply with the Holding Company Act. Consequently it ordered Standard Gas to "divest itself of substantially all of its holdings except the common stock of the Philadelphia Company" which it considered a single integrated system.

Standard Power & Light, also under orders to dissolve, eventually obtained permission from the SEC to change its status to that of an investment company. Two years earlier in 1956 the eager company had changed its name to Standard Shares. But it held on to its stock interest in Standard Gas right up to the latter's dissolution this Summer.

Standard Gas filed several reorganization plans with the SEC. In 1944 the Commission approved one which would distribute all assets to the holders of senior securities. The SEC pointed out "there would be no book value for the common stock." As a result the common was kicked off the Big Board and required to carry a stamped legend of the alleged

orthlessness when traded over-the-counter. The market price which in 1929 had reached \$243 a share fell around a dime.

Management was then headed by Victor Emanuel who had gained control through US Electric Power in 1929. He saw no hope for the common. But some stockholders were

convinced otherwise. At this juncture New Orleans-born, Tulane & Harvard-educated Colonel Robert J Levy returned from his wartime post as Ike's liaison officer with De Gaulle to Robert J Levy & Company, the Wall Street firm he has headed since 1932. He found partner J Kiefer Newman Jr and Christian A Johnson

MAJOR STANDARD GAS UNITS AND THEIR FATE

Company (and % of Standard Gas control)	Disposition
California Oregon Power (56 %)	Sold for \$7,900,000 in 1947; co merged into Pacific Power & Light in 1961.
Empresa de Servicios de los Estados Mexicanos (100 %)	Entire stock sold to T E Sheppard for \$858,000 in 1947.
Cincinnati Gas & Electric (51 %)	250,000 common shares sold for \$7,400,000 in 1950; 138,000 shares for \$4,300,000 in 1950; co now listed on NYSE.
Market Street Railway (80 %)	Standard Gas received \$512,000 in 1950 from final liquidation; co sold to city of San Francisco.
Mountain States Power (85 %)	Stock sold for \$4,500,000 in 1947; co merged into Pacific Power & Light in 1954.
Northern States Power (80 %)	Sold 365,000 shares for \$3,400,000 in 1949; co now listed on NYSE.
Oklahoma Gas & Electric (53 %)	Sold 250,000 common shares for \$2,157,000 in 1948; 1,328,000 shares distributed in 1952 in exchange for Standard Gas \$7 & \$6 prior preferreds; remaining shares distributed to Standard Gas common holders; co now listed on NYSE.
Philadelphia Co (97 %)	Liquidated together with Standard Gas.
Duquesne Light (100 %)	930,000 shares distributed to Standard Gas common holders in 1953, 1955 and 1961; balance exchanged for various Standard Gas senior securities and other obligations; co now listed on NYSE.
Equitable Gas (100 %)	Stock sold by Phila Co for \$45,755,000 in 1950 (a profit of \$28,000,000); co now listed on NYSE.
Pittsburgh Railways (100 %)	Bankrupt 1938-50; Standard Shares still holds 43% control; current stock listed on Amex.
San Diego Consolidated Gas & Electric (61 %)	Standard Gas exchanged 403,000 shares for its own notes & debentures in 1941; sold remaining 591,000 shares for \$7,900,000 in 1941; co now San Diego Gas & El, listed on NYSE.
Southern Colorado Power (64 %)	Old Class B common (all owned by Standard Gas) voided in 1945 reorganization; 5,200 new shares received by Standard Gas for other holdings sold for \$52,000; stock now traded over-counter.
Wisconsin Public Service (100 %)	2,171,000 shares exchanged for Standard Gas preferred stock in 1957; remaining 59,000 shares distributed to Standard Gas common holders in 1961; co now listed on NYSE.

Note: In many cases, degree of original control subsequently diluted by reorganizations, elimination of intermediate holding companies, etc.

(an expert in utility securities) deeply interested in the Standard Gas reorganization, convinced "the watered stock could be dried out."

Utilities were then at low ebb but the Levy-Newman-Johnson group foresaw a postwar upturn. It organized the stockholders and fought the plan in the courts till it was remanded.

This accomplished, the group determined to prove the common's value. It won control of the company in a proxy battle. It put in as president Edward O Boshell who had handled some 50 liquidation cases as a vice president of Stone & Webster while J K Newman subsequently took over as president of Power & Light, a post he still holds with successor Standard Shares. The new Standard Gas leaders next arranged a bank loan to pay off the notes and debentures. Then various portfolio securities were sold in order to pay off the bank and when earnings began to increase book value, Standard Gas persuaded the SEC to give the condemned stock another chance. After relisting on the Big Board in 1950 the market value climbed to slightly over \$20 in 1953.

The new management further unscrambled the tangled holding company structure. It sold some securities in the portfolio to pay off remaining debt and wound up with \$100,000,000 in cash. Finally, when Standard's holdings consisted only of Duquesne Light, Wisconsin Public Service and Oklahoma G&E, a final liquidation plan was agreed upon in 1952. It was to have been carried out by 1953 but tax complications

brought on a number of delays.

Prexy Boshell resigned to take the presidency of Westinghouse Air Brake (which he left after five years and subsequently entered business for himself on Wall Street). He turned over the "proper burial" of Standard Gas to Bob Levy who took on the job in addition to running his own firm. The big roadblock to the cemetery consisted of unsettled tax returns for the years 1942-50. Finally this year Bob Levy won SEC and court approval for a deal with Duquesne Light whereby Standard paid Duquesne \$3,550,000 to assume responsibility for these tax liabilities, clearing the way for liquidation.

Lengthy Last Rites

The net result of all the hard work by the Levy-Newman-Johnson group and their associates was Standard distributed to its debenture and stock holders (including those of Philadelphia Company which was liquidated simultaneously) assets with present-day value of more than \$636,000,000. Of this figure the 4,400 holders of the once "worthless" Standard Gas common received approximately \$83,000,000, equal to about \$38.40 a share.

There may be just a little bit more. The remains of the empire include a \$2,400,000 reserve for contingencies which can eventually be distributed to stockholders. With supervision exercised by trustees Levy and A A Lippe (the former executive vp) the corporate ghost is housed in half of a three-room office on Broad Street shared with Standard Shares, awaiting the day the last contingencies are laid to rest.

Cane Refiners Sing Sugar Blues

**Cuban Situation,
Intense Competition
Melt Profits**

THE CUT-OFF a little over a year ago of Cuban sugar supplies which normally filled one-third of US requirements has had plenty of repercussion for the nation's big cane refiners: American Sugar Refining (ASR on the Big Board) and National Sugar Refining (NSU). With most of their plants on the mainland, they were more fortunate than Cuban cane producers like Vertientes-Camaguey and Francisco whom Castro virtually expropriated out of business. And there is plenty of raw sugar from the Philippines, Hawaii, the Virgin Islands, Puerto Rico, the Dominican Republic and other lands as well as Florida and Louisiana available for them to purchase to keep their refineries going.

But the alternate sources are not used to supplying large quantities to the US and the transition has resulted in higher handling and shipping expenses.

Furthermore industry leader ASR did own & operate some cane lands and raw sugar mills in Cuba which as late as 1959 accounted for over 14% of the company's net income. Confiscated without compensation in mid-1960, these properties have been written off as total losses.

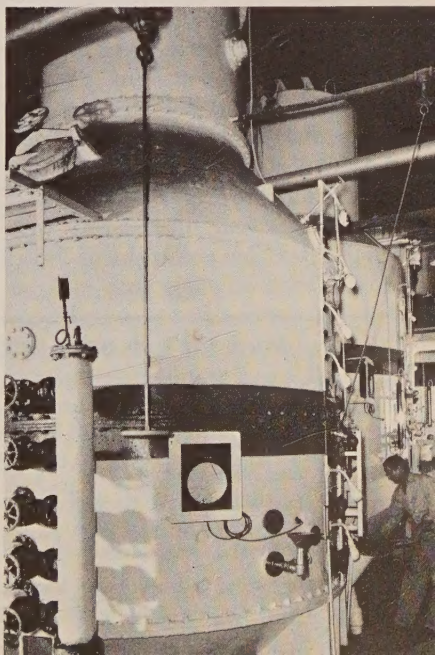
On top of these troubles the cane refiners whose territory has traditionally been the Eastern part of the country have felt increased competition from their Western brethren, the beet processors. In light of the

Cuban situation, the Agriculture Department lifted acreage restrictions on the 1961 sugar beet plantings. This has resulted in larger and earlier crops and enabled beet processors like Great Western, Holly and American Crystal Sugar to make marketing inroads eastward.

Resourceful ASR, though badly hurt in Cuba, can however profit from the beet betterment. It owns 85% of Spreckels Companies (and jointly with Spreckels Companies, the Spreckels Sugar Company) through which it participates in 40% of California beet sugar production. Last year that meant a hefty \$850,000 in dividends.

With increased costs and outside competition, the refiners have been struggling to increase their indivi-

National crystallizes sugar



September 27, 1961

dual shares of the cane market. This has stirred furious competition within the industry. Although No 2 refiner National Sugar raised total sales in 1960 over 10% to a record \$209,000,000, net income was off 29% to \$760,000 or \$1.14 a share, lowest since 1940.

In the first half of this year the trend worsened. Sales equaled 1960's \$99,000,000 but earnings fell to a paltry \$66,000 or 10¢ a share from \$312,000 or 47¢. No dividends have been paid since April 1960 and NSU shares trade on the Big Board just two points above the 18-year low of 16½ scored last year. Back in 1929 the stock reached 56.

American Sugar Refining has fared a little better but its earnings have declined too. Last year on nominally higher sales of \$338,200,000 ASR earned \$9,390,000 or \$3.49 a share down from \$3.86 in 1959. For the first six months of 1961 sales were off less than 1% but income fell to \$1 a share from \$2.12. Despite adversity ASR has continued to pay dividends of 40¢ quarterly, threw in a lower-than-usual 15¢ extra in April. This brought total yield to 5.3%. Stockholders are apparently faithful for at presstime the shares were quoted at 33, ten points shy of 1959's alltime high of 43⅝ and still ten

points higher than the 1929 apex.

The industry made its poor first half showing despite stability in the price of industrial refined sugar. The second half, though usually stronger, will this year have to contend with still another villain—competitive price cutting. In July most refiners cut their price for industrial grades of sugar in New York from \$9.55 a 100-pound bag to \$9.40 and then a few days later to \$9.30. In Chicago and westward—the highly competitive meeting ground between Eastern cane and Western beet—the base price has dropped as low as \$8.80. Of course there are always unannounced departures from the list price which occasionally have been lower still.

With the terrifically competitive situation continuing industry spokesmen see little hope for any price improvement in the near future. A glimmer of optimism stems from the fact the sources which replaced Cuba are gradually becoming familiar with the problems involved in supplying the US and are ironing out early difficulties. If the Agriculture Department and Congress are expeditious in reassigning present quotas which expire in June 1962, there is hope for a return to smoother and more profitable operations.

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MCGRAW WASH & DRY

New model time is at hand for appliances as well as autos so the lady dutifully looks at the new 1962 Speed Queen washer and dryer. The No 1 innovation is an enlarged tub for the washing machine and, while pointedly steering clear of "the pound-capacity race raging among some competitors," Speed Queen sales vp Reginald James maintains "our big tub, designed for the needs of the larger family, holds 20-to-30% more than most standard automatics."

Speed Queen is a division of McGraw-Edison Company, a Chicago-headquartered company known best to consumers for its Toastmasters and to utilities for electrical transmission & distribution equipment. Other products include electric motor and industrial equipment and, through the 1957 merger with Thomas A Edison Inc, Voicewriter dictation systems. But McGraw has also been in washing machines since 1956 when it bought Speed Queen. It augmented its position a year ago with the purchase of American Laundry Machinery, a specialist in commercial laundry and dry cleaning equipment.

Thus the McGraw-Edison team is able to field a complete laundry line-up from small home units to giant 1,250-pound capacity machines for commercial laundries. McGraw is stressing sales for coin store laundries and especially for coin routes (where the operator leases units to apartment houses, etc). It also offers coin-operated dry cleaning machines. While Borg-Warner's Norge (IR, February 15) "got the jump" in this business and others like Westinghouse were quick to enter, McGraw sees plenty of demand: "Operators are falling over themselves trying to buy into the business."

All told salesman James reports McGraw's laundry business is operating at full capacity. It has helped moderate the recession impact on the company's utility, industrial and office equipment. Even so McGraw's first half sales were off 9% with earnings down to 90¢ a share from \$1.38 (pro forma). Generally improved business should boost second-half net above the mediocre \$1.13 of a year ago though not by enough to offset the first half slump.



This is a news and educational publication about financial and business matters. Articles are selected for their news or general interest and should not be considered a recommendation to buy or sell securities.

HELP YOURSELF

Thucydides, the Greek historian of the Fifth Century B.C., has been widely admired through the ages for his accuracy and impartiality, for the shrewdness of his psychology and the eloquence of his language. In fact, some people today like to say that Thucydides was "truly modern"—as if that were the ultimate compliment that could be paid to a distinguished citizen of the golden age of Greek civilization!

One of the observations of Thucydides that warms the cockles of our heart is this statement from Book 2 of "The Peloponnesian War": "To admit poverty is no disgrace to a man, but to make no effort to escape it is indeed disgraceful."

Now in the Twentieth Century A.D. in what Professor Galbraith calls our "affluent society," there is less and less real poverty. But the spirit of Thucydides' statement remains true. To admit that you are less well off than you would like to be is no disgrace, but to do nothing to better yourself is.

May we suggest that you consider investing in good common stocks? There's a risk, of course, just as there is a risk in crossing a street or taking a bath. But if you invest wisely, there can be a considerably greater likelihood of gain than loss.

Want to know the fundamentals? Send for a copy of "*What Everybody Ought to Know About This Stock and Bond Business.*" It's not in the same league with "The Peloponnesian War," but it has its points. No money involved, no strings attached.

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